

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6600

BILL NUMBER: HB 1135

NOTE PREPARED: Apr 30, 2003

BILL AMENDED: Mar 27, 2003

SUBJECT: Coverage for Substance Abuse Services.

FIRST AUTHOR: Rep. Brown C

FIRST SPONSOR: Sen. Lawson

BILL STATUS: Enrolled

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill provides that if an accident and sickness insurance policy or a contract with a health maintenance organization provides certain substance abuse and chemical dependency coverage, the insurer or health maintenance organization must offer to provide the coverage without treatment limitations or financial requirements in certain circumstances.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) State plans currently include substance abuse and chemical dependency services. This bill only requires insurers to offer to provide substance abuse and chemical dependency treatment to those entities that currently include mental health benefits as a covered benefit. It does not require any entity to provide these services. The decision whether to include these benefits is dependent upon administrative action. In addition, this bill does not preclude an entity from purchasing an insurance plan with limitations on substance abuse and chemical dependency benefits.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) This bill only requires insurers to offer to provide substance abuse and chemical dependency treatment to those entities that currently include mental health benefits as a covered benefit. It does not require any entity to provide these services. The decision whether to include these benefits is dependent upon administrative action taken by the governmental entity. In addition, this bill does not preclude an entity from purchasing an insurance plan with limitations on substance abuse and chemical dependency benefits.

If a local entity elects to accept the offer to provide substance abuse benefits, they may incur increased expenditures. Local governments may experience a 0.2% to 5% increase in health-related expenditures for the treatment of substance abuse and chemical dependency related to treatment for mental health

Background: The Mathematica Policy Research, Inc., conducted a study for the Substance Abuse and Mental Health Services Administration on the costs and effects of providing parity for mental health and substance abuse benefits. This study involved a case study of five states that have mental health substance abuse parity laws. States reviewed included Minnesota, Maryland, Rhode Island, New Hampshire, and Texas.

Premium Increases Due to Parity - Case Studies:

Minnesota: 1% to 2% increase in premiums.

Maryland: 1% increase in premiums.

Rhode Island: Negligible premium increase.

New Hampshire: 5% or less increase in premium.

Texas: 1.5% of total claim costs.

In Indiana, costs associated with this requirement may not be as high as states in the study. This study reviewed the costs associated with implementing mental health and substance abuse parity. Indiana currently has a mental health parity requirement. Thus, the costs associated with implementing a substance abuse and chemical dependency requirement related to the treatment of mental illness may be lower than those experienced in the study states due to the difference in services already covered.

In addition, costs may actually decrease if the state enacts a substance abuse and chemical dependency parity requirement. For example, Texas experienced a 47.9% decrease in costs attributable to mental health and substance abuse care from 1992 to 1995.

Premium Increases Due to Parity - Actuarial Studies

Actuarial studies provide in-depth information regarding rate increases for specific types of coverages. According to Substance Abuse and Mental Health Services Administration actuarial study data, costs for substance abuse parity increases premiums 0.2%. This number is significantly lower than the 1% to 5% range in the case study data.

Explanation of Local Revenues:

State Agencies Affected: None.

Local Agencies Affected: All.

Information Sources: Keith Beesley, State Department of Personnel, (317) 232-3062.

“The Costs and Effects of Parity for Mental Health and Substance Abuse Insurance Benefits”, U.S.

Department of Health and Human Services, Public Health Service, Substance Abuse and Mental Health Services Administration

<http://www.mentalhealth.org/publications/allpubs/Mc99-80/Prtyfnix.asp>

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